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THE NEW HOUSING LEGISLATION

Perhaps no single field of postwar reconstruction has captured public attention as much as Housing and Community Planning, and rightly so. For one thing, the acute housing shortages, exorbitant rentals and poor accommodations throughout Canada approach the proportions of a national scandal, and have focussed criticism on the inadequacies of Canada's housing situation. Moreover, it has become generally recognized that a large-scale housing and community planning program after the war offers one of the best opportunities for useful and productive employment for the hundreds of thousands of persons who will be displaced from war industries and the Armed Forces when hostilities cease. Clearly, then, the field of Housing and Community Planning *should have a top priority* in any Government plans for postwar reconstruction.

Despite the urgency of the need, the Government has sidestepped the whole issue. Recently, it will be recalled, the Housing and Community Planning Subcommittee of the Government's own Advisory Committee on Reconstruction published an outstanding Report which provided an excellent survey of Canada's housing needs and the shortcomings of her existing legislation. The Subcommittee outlined in some detail the steps which it considered necessary in planning, financing and administering a nation-wide housing program of the scope required to satisfy Canada's housing needs. (See *News Comment*, August 1 and August 15, 1944). The present Liberal Administration, however, has ignored the most important recommendations of the Subcommittee. Its new Housing Act, passed in August of this year, bids fair to leave the housing situation in little if any better state than it has been for years.

THE SUBCOMMITTEE REPORT

The data tabulated in the Subcommittee's Report was dealt with in two

recent issues of *News Comment*. It is summarized again below as a basis for judging the merits of the new Housing Act.

(1) Housing Needs

Canada's housing needs are critical. They may be outlined as follows:

- (a) *An accumulated shortage* of some 486,000 housing units;
- (b) a deficiency in *new housing* to take care of *current annual requirements* for replacement and population increase, amounting to 49,800 a year.

The Report makes the conservative estimate that 700,000 new housing units will have to be built in the next 10 years, or an average of 70,000 a year, to take care of current annual requirements and to *reduce the accumulated shortage by only one-half*.

- (c) Not only are there *too few* houses. A large number of the existing structures are in *poor condition* or are lacking in facilities. The Report estimates that a *total of 543,000 houses are in more-or-less serious need of repair and improvement*.
- (d) *The most chronic and pressing housing problem applies to the low-income groups who cannot afford decent accommodation*. In the 12 major cities of Canada 177,000 families, or one-third of the total, earned annual incomes of \$1,200 or less. *According to the Report, 84% of these low income families were paying more than the desirable proportion (i.e. one-fifth) of their annual incomes for housing accommodation, and this accommodation was on the whole substandard*. The average rental paid was \$19 a month, whereas the *desirable rent* that they *should have paid* was about \$12 a month. These families,

consequently, have had to live largely in overcrowded slum conditions and cut down their purchases of food, clothing and other necessities in order to pay exorbitant rentals.

- (e) Not only are the houses themselves too few, too poor in construction, and too high in rentals for low income groups. *The communities in which they are located are also in many cases poorly planned and laid out, with obsolete or dangerous traffic conditions, inadequate water and sewage systems, and lacking in playground space, community centers and other facilities*.

(2) Housing Legislation

Canada's housing needs have become chronic partly because this country has been one of the most backward of the leading nations as regards housing legislation. The National Housing Act of 1938 did little or nothing to alleviate the situation:

- (a) Part I of the National Housing Act was designed to encourage home ownership by providing Federal funds for long term loans at low rates of interest. Under the N.H.A., however, *only 15,000 loans were made over a period of 3½ years, which made hardly a dent in the accumulated shortage of close to 500,000 units estimated in the Report mentioned above*.
- (b) These houses were obviously out of reach of the majority of the Canadian people, since they required down payments of several hundred dollars and monthly payments on interest and principle ranging from \$20 to \$35. The same could be said of housing units erected for rent by Wartime Housing Ltd.

- (c) Part II of the National Housing Act provided for loans to municipalities to encourage the building of low rent housing projects. *In actuality this was never made use of because municipalities were unable or unwilling to carry out the planning requirements without which the Federal Government could not grant funds under the terms of the Act.*

Thus the low income families, whose housing needs were greatest, received no benefit at all from Canada's housing legislation.

(3) Recommendations

The most important recommendations of the Subcommittee on Housing and Community Planning may be summarized as follows:

(a) Financing

The magnitude of the housing program that is required places it far beyond the means of provincial and municipal governments to finance. The Dominion Government, then, will have to carry the major portion of the load in the form of loans and subsidies. While most of housing will have to be built by private contractors, according to the Subcommittee, the need for housing is so great that *all methods of participation should be encouraged*—public, private and cooperative—and the greatest cooperation between federal, provincial and municipal governments should be sought for.

(b) Home Ownership and Improvement

The Subcommittee recommended that the provisions of the National Housing Act and Home Improvement Plan be extended and liberalized, to encourage home owners. Specifically the Report recommended that the Federal Government provide loans covering a larger proportion of the value of the house, amortized over longer periods and at lower rates of interest; that loan provisions be extended to cooperative associations as well as individuals; and that steps be taken to improve the standards of housing design and construction.

(c) Low Rent Housing and Slum Clearance

The Subcommittee laid special stress upon a comprehensive program to provide low-rent housing and slum clearance. It recommended that Part II of the National Housing Act, which had proved

to be such a fiasco, be *completely revised* and the following steps in particular be undertaken:

1. Establishment of Local Housing Authorities to administer the program;
2. Annual grants by the Dominion Government to the Local Housing Authorities as "subsidies required for the purpose of permitting rentals to be set lower than the economic or commercial level." (i.e. the level required to earn an adequate return on invested capital); and
3. A Special Development Fund to provide grants to municipalities to cover part of the cost of surveying and planning low-rent projects.

(d) Farm Housing

Along with low-rent housing, the Subcommittee singled out farm housing as a special problem requiring particular attention. Specifically the Report recommended, among other steps, special priorities to farmers for materials, special grants for equipment, and low-cost loans and subsidies to reduce costs of construction.

(e) National Planning

The Report stressed that any large scale program undertaken to relieve Canada's housing shortages *must be predicated upon proper planning* if blighted areas, uneconomical taxation and community inefficiency in general are to be prevented. For this purpose the Subcommittee recommended that the Dominion Government establish a Town and Community Planning Agency to provide numerous services (outlined later) in cooperation with provincial and municipal Town Planning Boards.

NATIONAL HOUSING ACT, 1944

In the light of the official Subcommittee's findings and recommendations, the new Housing Act passed in August bids fair to be another fiasco like its predecessor of 1938, of which it is *merely an extension*. Its main provisions may be analyzed as follows:

(1) Home Owners

Out of the \$275 million provided by the Dominion Government under the new legislation, \$200 million is allotted to the home owning minority of the population.

- (a) Of this total, \$100 million provides for loans to individual

owners, builders, and cooperative projects, repayable at 4½% interest over 20 years, or over 30 years in communities where adequate zoning and planning are in effect under provincial or municipal legislation. Loans range from 95% of the value for a \$2,000 house to 50% for a house of \$10,000 or over.

In practice these provisions will still be out of reach of most people. For instance, the prospective owner of a \$4,000 house (a sound and safely constructed dwelling cannot ordinarily be obtained for less) will be *required to furnish the land* and a \$400 down payment, and for a \$5,000 house, land and a \$700 down payment. Carrying charges for a \$4,000 house will be \$22.61 a month over a 20-year period. These are above the rentals that low income families can afford to pay.

(b) The Dominion Government also provides *guarantees of loans* by private concerns for the repair, alteration and extension of homes to an aggregate amount of \$100 million.

(2) Rental Housing.

Part II of the new Housing Act allocates \$50 million for loans and guarantees for rental housing in 3 main categories:

(a) Ordinary commercial rental housing.

The new Act provides for loans to builders up to 80% of value at 4½% for twenty or twenty-five years.

(b) Rental housing constructed by insurance companies.

Insurance companies are authorized to invest up to 5% of their assets in rental housing projects and the federal government will guarantee a net return of 2½% on the investment. This provision is evidently designed to put to some use the vast sums of insurance company funds that now lie in "stagnant pools" of idle savings. (See *News Comment*, special supplement of August 1, 1944.)

According to estimates of the Workers' Educational Association, if we assume that a sound dwelling cannot be obtained for less than \$5,000 (including cost of land) an "economic rent" will amount to \$50 a month according to the stated definitions of the Act. Hence, "if any dwellings are constructed under these provisions it seems likely they will be of medium and high rental levels." (*Labour News*, August 28, 1944, p. 2.)

(c) *Limited dividend housing corporations.*

The Dominion will advance to limited dividend housing corporations loans up to 90% of the cost of a proposed project, repayable in 50 years at 3%. Dividends are to be limited to 5%, and capital profits may not accrue through sale. Corporations will be financed on this basis, according to the Act, where "there is a shortage, overcrowding or a substandard character for existing housing accommodation."

Evidently this is as far as the Government will go in financing low-rent housing to supplant slums and blighted areas, if it intends to do so at all. But it is painfully inadequate on several counts, and indicates either bad faith on the part of the present administration, and/or a complete unwillingness to face up to Canada's most serious housing problems.

In the first place, *the amount of funds made available (i.e. a fraction of \$50 million) won't begin to touch the substandard housing question* which, as indicated above, affects 177,000 families in 12 major cities alone.

In the second place, *the basis of financing is entirely wrong*, as the findings of the Subcommittee Report and the manifold experience of other countries make abundantly clear. *The truth is that low income groups, constituting a third or more of the population, cannot obtain decent housing at an economic rent—i.e. a rent paying an adequate return on capital such that individuals or corporations are willing to invest in it. Hence the experience of all other countries that have tackled the housing problem is that the only way in which the lower third income group of the population can be adequately sheltered is by federally subsidized, low-rental housing projects administered by local governments.* It has been found in all countries—Great Britain, the United States, Sweden, New Zealand, and others—that *low-rent housing and slum clearance have to be publicly financed or subsidized, and administered by public authorities—in most cases by municipal administrations — or they aren't carried out at all.* The job certainly has not and cannot be done by private interests operating on the profit basis.

The Subcommittee Report, as pointed out before, recommended a comprehensive low-rental housing program administered by Local Housing Authorities acting as agents of the local government. The Dominion was to finance such projects by long term, low interest loans to the municipalities for capital costs, and annual grants or sub-

sidies to permit rents to be set at lower than the "economic" level and to cover the costs of making surveys and acquiring sites.

The Liberal Government's new Housing Act thus completely ignores the recommendations in the Report of its own officially appointed Subcommittee. According to Mr. Ilsley, Minister of Finance, "it is the Government's view that municipalities could not handle such projects as efficiently as could private corporations"—a view roundly condemned by CCF Members in the House. In the opinion of Stanley Knowles, CCF Member from Winnipeg Centre, it is "in the nature of an insult to municipal government." And according to the Workers' Educational Association: "The danger here (in relying upon private corporations) is that 'low rental housing' will really become low cost housing for rent, with the possibility of becoming the slums of the future." (*Labour News*, op. cit.) According to this body, a limited dividend corporation now operating in Montreal is constructing low-rent housing that is distinctly substandard. And *if adequate housing is insisted upon at low rents, private corporations are not likely to undertake such projects at all.*

The Government's main excuse for dodging the whole issue is that the recently enacted family allowance legislation will help solve the rent problem for low income families by providing them extra cash each month. (*Hansard*, August 5, 1944, p. 6123.) But, as pointed out by the W.E.A., "this is turning the problem upside down", for:

"Family allowances if properly expended will undoubtedly increase the amount of income spent for food, but if we start by thinking of them as a possible source of more money for rent, *the average slum landlord will take the same view, and the tenant is then back where he started.*" (*Labour News*, September 11, 1944, p. 3.)

(3) *Slum Clearance*

The new Housing Act allots \$20 million to assist in slum clearance. This money is designed to help municipalities acquire land for slum clearance, by providing for 50% of the "excess acquisition cost" of acquiring the land and demolishing the obsolete dwellings. The municipality then may sell the land to limited dividend corporations and insurance companies to build low-rent projects as described above.

In terms of the magnitude of the slum clearance problem this provision is a tragic joke!

In the first place, the municipalities are placed in the position of middlemen who will have to operate at a loss. That is to say, the municipality has to buy the land at a high price but, insofar as it cannot obtain funds to carry out low cost housing projects itself, it has to resell the land to private corporations, which alone are entitled to loans from the Federal Government. And if such corporations are to make an adequate return on their capital they would in most cases have to pay less for the land than did the municipality. *Hence the municipality is expected to assume a loss without having the right to launch its own housing projects with Federal Assistance!* In this situation the municipalities would have little incentive to carry on an adequate low-cost housing program!

In the second place, \$20 million is a pitifully small sum that would hardly pay the "excess acquisition costs" in any one major city alone. In response to criticism on this point the Minister of Finance stated that the \$20 million is merely a "token" grant which would be increased if the provinces and municipalities showed interest in slum clearance programs. However, as brought out before, the legislation itself is not likely to stimulate such interest.

In the third place, *this method of financing would not end the problem of overcrowding and slums even if the funds allotted were adequate.* As pointed out by the W.E.A., "this prescription looks like an excellent method for 'bailing out' the owners of slum property." (*Labour News*, August 28, 1944, p. 3.) For the essence of the slum problem is an artificially high value placed on land due to real estate speculation, and the owner can make a return on his investment only by overcrowding his tenants and charging them exorbitant rents for poor housing. To quote the W.E.A. again:

"There is considerable danger that this method of procedure (i.e. under the new Housing Act) will result in housing projects erected with too great a density of population per acre in order to realize the demolition value of the land." (*Ibid.*)

(4) *Farm Housing*

The Subcommittee Report recommended that special attention should be given to farm housing as well as low-rent housing, and this recommendation also the new Housing Act studiously ignores. Farm house owners will merely be allowed to participate in the same ownership and improvement loans as urban dwellers. The only special concession to farmers is a small token grant

of \$5 million to encourage manufacturers to undertake the experimental production of "components" for farm houses.

(5) National Planning

The Subcommittee Report, it will be recalled, put planning in the forefront of any national housing program and recommended the establishment of a Dominion Town Planning Authority to carry on educational and publicity work for the stimulation of town and community planning; to undertake the systematic collection of all appropriate information on the subject; to make special studies of legislation for provincial and municipal guidance; to undertake advisory services in the field of administration to co-ordinate regional and local plans; to investigate the marketing of materials and equipment; and to conduct research and consult with architects and other representative bodies for the purpose of achieving improvements in housing design and construction.

The new Housing Act pays lip-service to such objectives, but instead of establishing them under a separate Dominion Housing Authority, as recommended in the Report, the new legislation centres the responsibility in the Minister of Finance, who is authorized to set up such advisory committees as he may deem advisable.

The weakness of this set-up fairly sticks out! Mr. Ilsley, the Minister of Finance, is an able and sincere public servant, as even his worst opponents will admit. But he is also probably the most harried and overworked member of the Cabinet, and his or his successor's problems of public finance are not likely to be reduced greatly in the difficult transition period ahead. One cannot imagine him and his advisors

then, undertaking with any great efficiency the added burden of planning and supervising a national housing program!

Previous experience—especially the ill-fated Part II of the National Housing Act of 1938—has shown that municipalities and regions will not undertake community planning without central assistance and direction from a specially constituted full-time agency of the Federal Government. The provisions in the new Housing Act, then, are unlikely to stimulate any greater degree of planning than did the National Housing Act of 1938.

CONCLUSION

Perhaps no single piece of legislation enacted during this session so clearly illustrates the tragic inability or unwillingness of the present Liberal Government to undertake the bold and comprehensive type of national economic and social planning that is required to meet the needs of the nation. The new Housing Act is obviously designed to provide safe investments for private capital and profitable contracts to private builders and land owners, rather than to meet the chronic housing needs of the Canadian people. Out of the total appropriation of \$275 million, as pointed out before, \$100 million is allotted for house ownership and \$100 million for home improvements, both of which will benefit primarily a minority of home owners and private contractors. Of the remainder, \$50 million is allotted to rental projects that will benefit primarily the private contractors, the insurance companies and the limited dividend corporation, while the hundreds of thousands of low income families are still unlikely to get decent housing at rents they can afford. The same is true of the \$20 million for slum clearance which, to repeat, is likely

merely to "bail out" the owners of slum land.

One is led to suspect from all this that the present administration has been influenced considerably by powerful lobbies maintained by contractors and real estate associations, mortgage and insurance companies, and the like, who fear above all that direct government participation in the field of housing may be a "thin edge of the wedge" for a broader program of public ownership and planning in general.

Here the meaning of the Liberal Government's loudly heralded "reform" measures becomes clear. Useful palliatives like Family Allowances and Soldiers' Gratuities are an alternative, or, rather, an excuse, for shirking the responsibility of undertaking a constructive program of national planning in housing and other fields of reconstruction. In this respect the comments of the *Financial Post* of July 29, 1944, with regard to Family Allowances is enlightening:

"It is claimed that private enterprise can't provide adequate housing for low income families at rents they can afford. There would, therefore, be tremendous pressure on the government to go into the construction business directly and on a vast scale.

"Family allowances, by helping the low-income family man on a scale proportionate to his family's size, would help to solve this rent problem and perhaps prevent the virtual socialization of the building industry."

It seems clear, then, that only the CCF in power can be relied upon to carry through a national housing program to serve the needs of the many rather than the profits of the few.